



**THE FEDERAL ELECTION COMMISSION**  
Washington, DC 20463

**MEMORANDUM**

TO: The Commission

FROM: *Gilbert Ford*  
Gilbert Ford  
Acting Chief Financial Officer

SUBJECT: Corrective Action Plan (CAP) for the Inspection of FEC'S Compliance with  
FMFIA/OMB Circular A-123

DATE: November 29, 2018

The Office of Inspector General (OIG) conducted an inspection that focused on the compliance with FMFIA/OMB Circular A-123 within the FEC.

Attached please find an updated Corrective Action Plan that includes the findings and the status of the findings as of November 2018. There were a total of 8 items, of which 5 items have been closed. The OCFO will continue to work with the OIG on closing the remaining 3 items.

If you have any questions, please feel free to contact me. Thank you.

cc: Inspector General

| Recommendation Title                                                |                              | Actual Issue Date | Recommendation                                                                                                                                                                                                                                                                                      | Management Response | Planned Corrective Actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Estimated Implementation Date | Last Status Update                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Revised Implementation Date | Recommendation Age | Owner     | Follow Up Notes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| Project Name: T-Inspection of FEC's Compliance with FMFIA/OMB A-123 |                              |                   |                                                                                                                                                                                                                                                                                                     |                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                             |                    |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 1                                                                   | Mandatory ICR Report         | 6/17/2014         | The Office of the Chief Financial Officer (OCFO) should ensure sufficient information is included in the internal control review (ICR) packages submitted by program offices by making the ICR report mandatory.                                                                                    | Partially Agree     | OCFO Management partially agrees with recommendation number one. The OCFO agrees with the OIG's conclusion that "the FEC is generally in compliance with FMFIA/OMB A-123 annual internal control assessment requirements." Under the guidance of Directive 53, the Commission delegated the responsibility to program managers to exercise professional judgment and assess the internal controls for their areas. The program managers complied with the guidance. While the OCFO does not agree with the recommendation to make the ICR Report mandatory, the OCFO does agree to enhance its guidance and documentation as appropriate. Specifically, program managers will be reminded that sufficient documentation must be maintained to support that internal controls were properly reviewed. The OCFO's guidance for the Internal Control Review process will include a comparison of OIG findings to the feedback received from the program managers. If discrepancies are noted, the OCFO will discuss the matter with the appropriate managers to determine the status of the findings and the implications for the internal control of that program. The outcome of this process will be documented. | CLOSED                        | This item is closed in agreement with IG and OCFO.<br><br>In 09-2015, the Acting CFO created the A-123 task force. The purpose of the A-123 Task Force is to develop recommendations for implementing and/or revising FEC's internal control framework to comply with the new OMB A-123 guidance. Detailed procedures and training for annual internal review process included risk assessments. ICR guidance is provided annually. The FEC's A-123 Task Force has revised Directive 53 and it was approved by the Commission on September 6, 2018.                  | CLOSED                      | 1365               | Nida Awan | The OIG acknowledges that the annual ICR process was revised, a new control assessment template was rolled out for the FY 2018 review period, and Directive 53 has been updated to include the current ICR process. Per review of the FY 2017 control assessments submitted by program offices, OIG concludes some offices did not provide sufficient information to satisfy the instructions and compliance with A-123. For instance, some offices did not provide adequate documentation for some of the 17 principles, some offices did not include specific program information, some offices did not list internal control issues identified. Also, OIG notes that OMB recently rolled out a new A-123 Appendix A to align with the guidance around the implementation of an Enterprise Risk Management (ERM) framework and the DATA Act. This may require additional documentation and/or changes to the annual ICR process. The OIG will assess once the revised Directive 53 has been fully implemented and we can confirm that they are operating effectively and adequate to comply with the additional A-123 requirements. |
| 4                                                                   | High Risk Ratings            | 6/17/2014         | OCFO should require any item marked as high risk on the VAC is explained in the respective program office's ICR Report.                                                                                                                                                                             | Partially Agree     | OCFO Management partially agrees with recommendation number four. The OCFO does not plan to make the ICR Report mandatory (see Management Response to recommendation number one). However, the VAC will be supplemented to identify top risk factors and the impact if that risk is not mitigated. In the past few years, the OCFO has queried program managers about all the VAC items marked as high. As stated above, however, Directive 53 assigns program managers the responsibility to exercise their professional judgment in preparing their ICR reports if deemed necessary. As previously discussed with the OIG in December 2013 and January 2014, OCFO Management would like to wait until a new A-123 is released to review and update the annual ICR process.                                                                                                                                                                                                                                                                                                                                                                                                                                     | 11/1/2018                     | The OCFO considers this closed. The new ICR assessment template currently requires items marked as high risk to be explained in the respective program offices report.                                                                                                                                                                                                                                                                                                                                                                                               | CLOSED per OCFO             | 1365               | Nida Awan | The new ICR process and assessment template requires any internal control high risk ratings to be identified and explained. However, per review of the FY 2017 control assessments submitted by program offices, OIG concludes some offices did not provide sufficient information to satisfy internal control risk ratings or identify all known control issues. Also, OIG notes that OMB recently rolled out a new A-123 Appendix A to align with the guidance around the implementation of an Enterprise Risk Management (ERM) framework and the DATA Act. This may require additional documentation and/or changes to the annual ICR process. The OIG will assess once these new requirements have been fully implemented.                                                                                                                                                                                                                                                                                                                                                                                                        |
| 5                                                                   | Training on Risk Assessments | 6/17/2014         | As a best practice, program managers with the assistance of OCFO, should be trained on how to conduct an inherent risk assessment for all mission critical programs. Going forward, these inherent risk assessments should be reviewed annually as part of the ICR process.                         | Partially Agree     | OCFO Management partially agrees with recommendation number five. When the revised GAO Green Book and the updated version of A-123 are available, the OCFO will address the FEC's Internal Control guidance and provide a training to appropriate program managers. The OCFO is unclear about the relationship between 'potential risk unique to a particular FEC program' and 'inherent risk' as mentioned in the IG's recommendation number five above. Internally, the OCFO has its own determination of 'inherent risk assessment' that is different from the risk assessment for the annual ICR process.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 11/1/2018                     | The OCFO considers this closed. The Risk Profile process that's conducted each year by the SMC takes a look at risks impacting the mission critical programs. Since the SMC is made up of key management and program managers, this may be sufficient to answer what they were looking for when the finding was first written up. Initial internal control training was provided by Management Concepts in 2016. In addition A-123 Task Force members trained the appropriate staff on FEC's new annual ICR process prior to the FY 2017 assessments were completed. | CLOSED per OCFO             | 1365               | Nida Awan | OIG acknowledges that training was conducted by Management Concepts and by the A-123 Task Force. However, per review of the FY 2017 control assessments submitted by program offices, OIG concludes that additional training may be required. Especially in light of the fact that OMB recently rolled out a new A-123 Appendix A to align with the guidance around the implementation of an Enterprise Risk Management (ERM) framework and the DATA Act. This may require additional documentation and/or changes to the annual ICR process. The OIG will assess once these new requirements have been fully implemented.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 6                                                                   | Review of Risk Ratings       | 6/17/2014         | The OCFO should improve their review process by paying special attention to the methodologies for the risk ratings and explanations of control issues for reasonableness, and to ensure all internal control issues are properly reported and potential material control weaknesses are identified. | Partially Agree     | OCFO Management partially agrees with recommendation number six. With only operational responsibility delegated by Directive 53 to CFO, the OCFO will consider the OIG concerns when preparing the annual internal control guidance for Fiscal Year 2014. Please see the management responses above for what the OCFO plans to do in this regard.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 11/1/2018                     | The OCFO will follow-up with program offices. OCFO relies on program offices for control weaknesses. We review that they are reported forward. We also review the conclusions provided are supported and check to see that they are aligned. Establishment of SMC-Membership includes top management that is knowledgeable in program office responsibilities. This allows for comprehensive internal control review and risk identification.                                                                                                                        | CLOSED per OCFO             | 1365               | Nida Awan | The OIG notes that the FY 2017 CFO summary which compiles the results of all program offices ICRs used to form the basis for recommending an agency-wide unqualified statement of assurance did not adequately disclose information related to known control issues. According to FMFIA, which is incorporated into A-123 guidance, the agency is still required to disclose all control issues (regardless if they are significant, material weaknesses or not) to the applicable oversight members responsible for providing the overall agency-wide assurance letter. In addition, the new A-123 requirements which require risk assessments to incorporate ERM concepts and fraud risk assessments went into effect in FY 2017. The OIG acknowledges that the FEC has established the SMC which is similar to a Risk Committee. The SMC has developed an ERM implementation plan and the initial risk profile. This recommendation can not be closed until additional oversight procedures are fully implemented to ensure compliance with these new requirements are operating effectively.                                      |